

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY	County CALHOUN
Fiscal Year End 6/30/06	Opinion Date 8/3/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) OSBOURNE, MARCH, CONDON & CO., P.C.		Telephone Number 517.439.9331	
Street Address 184 W. CARLETON ROAD		City HILLSDALE	State MI
		Zip 49242	
Authorizing CPA Signature <i>Stephen W. Bisher</i>		Printed Name STEPHEN W. BISHER	License Number 1101026492

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

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Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

INDEPENDENT AUDITOR'S REPORT

Authority Board
Marshall Area Fire Fighters Ambulance Authority
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2006, which collectively comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marshall Area Fire Fighters Ambulance Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006 on our consideration of Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages iii through viii and Pages 16 and 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Osbourne, March, Condon & Co P.C.

Certified Public Accountants

Hillsdale, Michigan
August 3, 2006



Marshall Area Fire Fighters Ambulance Authority

Management's Discussion and Analysis Year Ended June 30, 2006

The following discussion and analysis of the financial performance for the Marshall Area Fire Fighters Ambulance Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Authority's financial statements.

General Information

The Marshall Area Fire Fighters Ambulance Authority was established under Act 57 of Public Acts of 1988, on April 15, 2004, as a municipal authority to provide ambulance service to the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, and the City of Marshall.

The Authority is governed by a 14 member Board of Directors comprised of members representing each municipality, three members from the Marshall Firefighters Association and one member from Oaklawn Hospital - Marshall, Michigan.

The Authority's first official fiscal year began on July 1, 2004. During the period between July 1, 2004 and December 31, 2004, the Authority was preparing to take over the operations of the Marshall Fire Fighters Ambulance Service, Inc. The Authority began providing ambulance services effective January 1, 2005. Fiscal year ended June 30, 2006 was the Authority's first twelve month fiscal year. Therefore, comparative financial information is not provided in this discussion. However, comparative analysis will be provided in future years when the Authority is able to report comparable activity, i.e. two – twelve month fiscal years.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2006:

- The Authority was authorized by public vote on August 3, 2004 to levy 0.50 mills for a period of ten years. This levy generated \$328,797 in property tax revenue for the 2005 – 2006 fiscal year. An additional \$10,225 of property taxes captured by the Marshall Downtown Development Authority & Local Development Finance Authority was donated back to the Ambulance Authority.
- The Authority acquired a new monitor/defibrillator in the amount of \$16,028, two new stair chair devices for patient handling in the amount of \$3,975, four laptop computers for the transition to electronic patient care reports in the amount of \$15,288, and one office computer in the amount of \$1,267.

Marshall Area Fire Fighters Ambulance Authority

Management's Discussion and Analysis

Year Ended June 30, 2006

Financial Highlights (Concluded)

- The Authority participated in the national relief efforts for hurricane Rita by deploying one paramedic to Texas from October 5, 2005 to October 15, 2005. The cost to the Authority for this deployment was \$4,309. This cost was reimbursed to the Authority by another participating ambulance service.
- The Authority, in partnership with Kellogg Community College, sponsored a Medical First Responder course in the fall of 2005. The normal tuition costs of the course were subsidized for Fire Departments and residents serving the Authority area. The Authority provided the instructors for the course. Students from outside the Authority area participated and paid full tuition costs through Kellogg Community College. The Authority was reimbursed \$2,600 from Kellogg Community College to offset the cost of providing the instructors.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Marshall Area Fire Fighters Ambulance Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business, and therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick and vacation leave).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Marshall Area Fire Fighters Ambulance Authority

Management's Discussion and Analysis

Year Ended June 30, 2006

Overview of the Financial Statements (concluded)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Marshall Area Fire Fighters Ambulance Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Authority's operations in more detail than the government-wide financial statements. These statements present a shorter-term view and tell how taxpayer resources were spent during the year.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority adopts an annual appropriated budget for its fund activity. A budgetary comparison schedule has been provided for the Authority's fund activity.

The basic governmental fund statements can be found on pages 3 and 5 of this report.

Financial Analysis of the Authority as a Whole

The increase in the Authority's net assets is due to two primary factors:

1. Actual revenue for the period ended June 30, 2006 was \$114,392 (8.8%) above projections.
2. Actual expenditures were \$10,686 (0.85%) below projections.

As a result of the above, the Authority reduced its total liabilities by \$5,534 and increased its assets by \$136,684.

Marshall Area Fire Fighters Ambulance Authority
Management's Discussion and Analysis
Year Ended June 30, 2006

Financial Analysis of the Authority as a Whole (continued)

The following table shows, in a condensed format, the net assets of the Marshall Area Fire Fighters Ambulance Authority as of June 30, 2006.

TABLE 1 – Marshall Area Fire Fighters Ambulance Authority's Net Assets

Assets	
Current assets	\$ 535,554
Non-current capital assets	<u>271,190</u>
Total Assets	<u>\$ 806,744</u>
Liabilities and net assets	
Liabilities	
Current liabilities	\$ 48,077
Other liabilities	8,666
Long term liabilities	<u>24,049</u>
Total Liabilities	<u>\$ 80,792</u>
Net assets	
Invested capital – net of related debt	\$ 236,890
Unrestricted	<u>489,062</u>
Total Net Assets	<u>\$ 725,952</u>
Total Liabilities and Net Assets	<u>\$ 806,744</u>

The following is the government-wide results of operations for the fiscal year ended June 30, 2006:

The Authority's total revenues for the current year totaled \$1,413,092 that was comprised of (1) property taxes totaling 23% and (2) ambulance service charges totaling 74%. Other revenues (donations, interest, etc.) were 3%. The total cost to provide ambulance services for the fiscal year ended June 30, 2006 was \$1,270,874. The Authority's expenses are comprised of a variety of expenses. The primary cost incurred in providing ambulance services is in personnel salaries/wages and benefits totaling \$884,723 which is 70% of total expenses.

Marshall Area Fire Fighters Ambulance Authority
Management's Discussion and Analysis
Year Ended June 30, 2006

Financial Analysis of the Authority as a Whole (concluded)

TABLE 2 – Changes in Marshall Area Fire Fighters Ambulance Authority's Net Assets

Revenue	
Program revenue	
Charges for services	\$ 1,045,739
General revenue	
Property taxes	328,797
Interest	1,902
Donations	12,386
In-kind occupancy	18,600
Other	5,668
	<hr/>
Total Revenue	\$ 1,413,092
	<hr/>
Program expenses	
Ambulance services	\$ 1,270,874
	<hr/>
Change in Net Assets	\$ 142,218

Financial Analysis and Highlights of the Authority's Fund

The fund financial statements provide detailed information about the most significant funds, not the Authority as a whole. The Authority has only one fund that accounts for all of its operating revenues and expenditures.

In fiscal year 2005/2006, the Authority recognized capital outlay expenditures totaling \$36,558 comprised of Board authorized disbursements to purchase a new cardiac monitor/defibrillator in the amount of \$16,028, (2) new stair chair devices in the amount of \$3,975 , new office computer in the amount of \$1,267 and mobile computers in the amount of \$15,288.

The Authority exceeded its original budget by \$110,376. This is due to developing the original budget with bad debt write-offs directly reducing charges for service. The budget was amended by increasing charges for services and bad debt expense by \$110,000.

As of June 30, 2006, the Authority reported fund balance in the amount of \$498,477 representing approximately 40% of fund operating expenditures.

Marshall Area Fire Fighters Ambulance Authority
Management's Discussion and Analysis
Year Ended June 30, 2006

Capital Asset and Debt Administration

At the end of fiscal year 2005/2006, the authority had \$271,190 (net of depreciation) invested in rescue, medical, and office equipment. Related to these assets is debt in the amount of \$34,300.

Economic Factors and Next Year's Budget and Rates

Property tax revenue is anticipated to increase at a rate of 2% for the 2006/2007 fiscal year, generated by a .5 millage rate. The millage will remain the same as prior year – no Headlee rollback. The Authority's budget constitutes twelve months of operations for 2006/2007. The budget plans for capital expenditures for new computers and software in the amount of \$50,000. Fuel costs, employee health insurance, and workers compensation are expected to be higher in the next year resulting from economic forces. Increasing costs are also expected in education and training for staff. An increase in fund balance is expected to approximate \$20,000 for the fiscal year ending June 30, 2007.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional information, or would like to obtain financial statements, please contact the Authority's Director at 323 W. Michigan Avenue; Marshall, Michigan 49068.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2006

	GOVERNMENTAL ACTIVITY
ASSETS	
Current Assets:	
Cash	\$ 385,925
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$56,000 and \$24,000, respectively	124,293
Inventory	5,633
Prepaid insurance	19,703
	<hr/>
Total Current Assets	\$ 535,554
Noncurrent Assets:	
Capital assets	\$ 341,150
Less: accumulated depreciation	(69,960)
	<hr/>
Total Noncurrent Assets	\$ 271,190
	<hr/>
TOTAL ASSETS	\$ 806,744
	<hr/>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 1,118
Current portion, long-term debt	11,000
Accrued payroll liabilities	32,427
Deferred memberships	3,532
	<hr/>
Total Current Liabilities	\$ 48,077
Noncurrent Liabilities:	
Compensated absences	\$ 8,666
Pension benefit obligation	749
Long-term debt, net of current portion	23,300
	<hr/>
Total Noncurrent Liabilities	\$ 32,715
	<hr/>
TOTAL LIABILITIES	\$ 80,792
	<hr/>
Net Assets:	
Invested in capital assets, net of related debt	\$ 236,890
Unrestricted	489,062
	<hr/>
Total Net Assets	\$ 725,952
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 806,744
	<hr/>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

		PROGRAM REVENUES	GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES			
General government	\$ 1,270,874	\$ 1,045,739	\$ (225,135)
		GENERAL REVENUES	
		Property taxes	\$ 328,797
		Interest	1,902
		Donations	12,386
		In-kind occupancy	18,600
		Other	5,668
		TOTAL GENERAL REVENUES	\$ 367,353
		CHANGE IN NET ASSETS	\$ 142,218
		NET ASSETS - BEGINNING	583,734
		NET ASSETS - ENDING	\$ 725,952

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2006

ASSETS

Cash	\$ 385,925
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$56,000 and \$24,000, respectively	124,293
Inventory	5,633
Prepaid insurance	19,703

TOTAL ASSETS

\$ 535,554

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 1,118
Accrued payroll liabilities	32,427
Deferred membership	3,532

Total Liabilities

\$ 37,077

Fund Balances:

Reserved:

Inventory	\$ 5,633
Prepaid expenses	19,703

Unreserved:

Undesignated	473,141
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Total Fund Balances

\$ 498,477

TOTAL LIABILITIES AND FUND BALANCES

\$ 535,554

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS

JUNE 30, 2006

GOVERNMENTAL FUND BALANCES \$ 498,477

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources, and
are not reported in the funds.

The cost of the capital assets is	\$ 341,150	
Accumulated depreciation is	<u>(69,960)</u>	
		\$ 271,190

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Unfunded pension obligation	(749)	
Notes payable	(34,300)	
Compensated absences	<u>(8,666)</u>	

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 725,952

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2006

REVENUES	
Taxes	\$ 328,797
Charges for services	1,045,739
Donations	12,386
Interest	1,902
In-kind occupancy	18,600
Other	5,668
	<hr/>
TOTAL REVENUES	\$ 1,413,092
	<hr/>
EXPENDITURES	
Salaries and wages	\$ 659,284
Employee benefits	225,439
Office supplies	6,808
Medical supplies	14,200
Operating supplies	5,993
Fuel	28,745
Uniforms	6,131
Utilities	11,124
Professional services	21,553
Advertising	3,148
Repair and maintenance	27,947
Insurance	26,423
Licenses and permits	607
Dues and memberships	1,616
Education and training	4,247
Bad debt expense	141,231
In-kind occupancy	18,600
Capital outlay	36,558
	<hr/>
TOTAL EXPENDITURES	\$ 1,239,654
	<hr/>
REVENUES OVER EXPENDITURES	\$ 173,438
	<hr/>
OTHER FINANCING SOURCES (USES)	
Payments on long-term debt	\$ (11,137)
	<hr/>
NET CHANGE IN FUND BALANCE	\$ 162,301
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FUND BALANCE - BEGINNING	336,176
	<hr/>
FUND BALANCE - ENDING	\$ 498,477
	<hr/>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 162,301

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures and in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (62,466)	
Capital outlay	<u>36,558</u>	(25,908)

Repayment of notes payable obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the governmental activity. 10,888

In the statement of activities, compensated absences (Paid Time Off - PTO) are measured by the amounts earned during the year. Therefore, when PTO time is earned, it is recognized as expenditures in the statement of activities. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, PTO earned exceeds the amounts paid. (2,628)

Actuarial valuation of the pension benefit obligation that results in an increase in the obligation is not recorded in the governmental funds, but is recorded in the governmental activities as an increase in current year contributions to retirement. (749)

Cash collections on long-term receivables are reported in the governmental funds as revenue, but in the governmental activities it is reported as a decrease in receivables. (1,686)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 142,218

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Marshall Area Fire Fighters Ambulance Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

The Marshall Area Fire Fighters Ambulance Authority (the "Authority") was established under Act 57 of the State of Michigan Public Acts of 1988, on April 15, 2004, by the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, and the City of Marshall, all of which are located in Calhoun County, Michigan. The Authority provides ambulance and rescue services to the citizens residing in those localities. Additionally, the Authority provides training and educational services. The Authority is supported through real estate taxes, reimbursements from insurance billing claims, service charges, donations, and service subscriptions to citizens.

The Authority is governed by a fourteen member Board of Directors comprised of members representing each municipality, three members from the Marshall Fire Fighters Association and one member from Oaklawn Hospital - Marshall, Michigan.

ECONOMIC DEPENDENCY

The Authority is economically dependent on real estate taxes collected from a .5 mill levied in the jurisdictions it services. The Authority would not be able to sustain operations absent the levy.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Authority. All the Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes charges to patients who use the services of the Authority. Taxes, intergovernmental payments, in-kind contributions, and other items not included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority only has one governmental fund, its operating fund.

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used prior to unrestricted net assets. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include patient billing revenues reported as charges for services. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority accounts for all of its activity in only one governmental fund, a *Special Revenue Fund*. Since the Authority is not self-sustaining and because it receives real estate taxes that are legally restricted for the use of the specific purpose carried out by the Authority, governmental accounting standards require that such activity be accounted for in a special revenue fund.

BANK DEPOSITS

The Authority maintains a checking and savings account with three financial institutions that are comprised of cash deposits only.

INVENTORY

Inventory consists of medical supplies and is valued at cost using the FIFO (first-in, first-out) method.

Generally accepted accounting principles require that inventory be reported at cost. Management has elected to value inventory using the average cost method. The difference between the Authority's inventory valued at average cost and cost was not determined at June 30, 2006. However, because of the small dollar amount and high turnover of inventory, management does not expect the difference in methods to result in a material difference in valuation.

CAPITAL ASSETS

Capital assets that include office and medical equipment and rescue vehicles are reported in the government-wide financial statements. The Authority defines capital assets as those with an initial individual cost of more than \$400 and an estimated useful life in excess of 1 year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the life of an asset are not capitalized but rather expensed in the period incurred. Depreciation expense is reported in general government expense on the statement of activities.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONCLUDED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	YEARS
Equipment	3 - 7
Rescue vehicles	5

ACCOUNTS RECEIVABLE

The Authority uses the allowance method for valuing potentially delinquent accounts. The allowance is estimated based upon a review of outstanding receivables, historical collection information, billings, and existing economic conditions. Past due accounts greater than ninety days are considered delinquent and are reserved for in the allowance for doubtful accounts at June 30, 2006.

NET PATIENT SERVICE REVENUE

The Authority has agreements with third-party payers that provide payments to the Authority at amounts different from its established service rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for a specific purpose by the donor are reported as restricted net assets. However, donor restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted support. At June 30, 2006, the Authority did not have any restricted net assets.

Generally accepted accounting principles require that in-kind occupancy be recognized as contribution revenue in the period in which the contribution is received and expense in the period the occupancy was used. Management has recognized the fair value of in-kind occupancy in its financial statements at June 30, 2006 in the amount of \$18,600.

PROPERTY TAX

Current property taxes are collected by various taxing entities and remitted to the Authority. Properties are assessed as of December 31, and the related real property taxes are levied and become a lien on December 1. The due date for property tax collections is February 14, after which time property tax bills become delinquent and are turned over to the respective county. Delinquent personal taxes are remitted to the Authority by the various taxing entities when the taxes are collected. Due to the uncertainty of when and if delinquent personal property taxes will be collected, the Authority does not accrue personal property tax revenue at the end of its fiscal year.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

Full time employees are eligible to earn personal time off (PTO) upon completing a ninety day probationary period. PTO encompasses a variety of traditional leave time such as vacation, personal days, sick leave, military leave, birthday, and bereavement.

The rate of PTO earned is based on minutes for hours worked and increases with years of service. There is no limit on the amount of PTO that an employee can accumulate. However, an employee who resigns or retires from the Authority will be compensated for their accumulated PTO up to the maximum of 192 hours. For every five hours of earned PTO time accumulated, the employee will be compensated for one hour at their regular hourly rate at the time of separation. An employee who is terminated by the Authority is not entitled to payment for accumulated and unused PTO hours.

At June 30, 2006 employees accumulated unpaid PTO in the amount of \$8,665.

LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. The face amount of debt issued or assumed is reported as other financing sources in the fund balance sheet.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority's budgetary procedures in establishing budgetary data reflected in the financial statements are as follows:

1. The Authority's Director submits to the Authority Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is usually enacted through the passage of a resolution.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING (CONCLUDED)

4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is adopted on a basis consistent with generally accepted accounting principles, which is the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved or as amended by the Authority Board. The Authority's budget is adopted on a fund basis.
6. Any excess amount budgeted for expenditures are covered by a carryover in fund balance from previous years.
7. Budgeted revenues and expenditures are presented in the statement of revenues, expenditures and changes in fund balances - budget and actual - governmental fund, including any authorized amendments to the original budget as adopted.

ENCUMBRANCE ACCOUNTING

Encumbrances for goods and services are documented by requisitions or contracts. Appropriations lapse at June 30, and any encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2006.

NOTE 2: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end, the deposits were reported in the basic financial statements in the following categories:

Cash (checking, savings and certificate of deposit)	\$	385,725
Petty cash		<u>200</u>
Total	\$	<u>385,925</u>

The Authority deposits money with three financial institutions. The Authority's total bank deposits are \$395,487, of which \$338,157 is covered by federal depository insurance.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3: CAPITAL ASSETS

Capital asset activity of the Authority was as follows:

	BALANCE JULY 1, 2005	ADDITIONS	DISPOSALS	BALANCE JUNE 30, 2006
Capital assets being depreciated:				
Medical equipment	\$ 21,800	\$ 35,291	\$	\$ 57,091
Rescue vehicles	264,523			264,523
Office equipment and furnishings	18,269	1,267		19,536
Subtotal	\$ 304,592	\$ 36,558	\$	\$ 341,150
Accumulated depreciation:				
Medical equipment	\$ 426	\$ 5,409	\$	\$ 5,835
Rescue vehicles	6,614	52,904		59,518
Office equipment and furnishings	454	4,153		4,607
Subtotal	\$ 7,494	\$ 62,466	\$	\$ 69,960
Net Capital Assets	\$ 297,098	\$ (25,908)	\$	\$ 271,190

NOTE 4: LONG-TERM DEBT

Long-term debt at June 30, 2006 consisted of the following:

Note payable – City of Marshall – the City obtained financing from a local financial institution for the purchase of an ambulance on behalf of the Authority. Both the City and the financial institution jointly hold title to the ambulance as secured lien holders. The note is payable in monthly installments of \$1,012 to the City, with interest at a rate of 3.98%, through June 1, 2009.

	\$ 34,300
Less: current portion	11,000
TOTAL LONG-TERM DEBT	\$ 23,300

The following is a summary of changes in long-term debt:

	BALANCE JULY 1, 2005	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2006
City of Marshall	\$ 45,188	\$	\$ 10,888	\$ 34,300

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 4: LONG-TERM DEBT (CONCLUDED)

The following is a schedule of principal and interest maturities:

	PRINCIPAL	INTEREST	TOTAL
2007	\$ 11,000	\$ 1,166	\$ 12,166
2008	11,400	720	12,120
2009	11,900	260	12,160
	<u>\$ 34,300</u>	<u>\$ 2,146</u>	<u>\$ 36,446</u>

During the year ended June 30, 2006, the Authority incurred interest expense on long-term debt in the amount of \$249. The Authority was scheduled to pay \$1,477 in interest; however the City of Marshall credited the Authority for payments made by the former ambulance service during the transition into an authority.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan; 447 N. Canal Road; Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy

The Authority's annual contribution requirement is 3.89% and 3.26% of participating employee's covered payroll effective July 1, 2007 and 2006, respectively. Authority's participating employees are required to contribute 6.84% of their annual covered payroll. These contribution percentages are based on the actuarial valuation date as of December 31, 2005. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Authority depending on the MERS contribution program adopted by the Authority.

Funding Progress

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial method. The significant actuarial assumptions used include (a) a rate of return of the investment of present and future assets of 8%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to longevity and merit.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Information related to funding of the pension benefit obligation as of December 31, 2005 actuarial valuation is as follows:

Pension Benefit Obligation

Actuarial Accrued Liability:

Current employees –	
Accumulated employee contributions	
including allocated investment income	\$ 13,836
Employer financed	<u>8,361</u>

Total Actuarial Accrued Liability (AAL) \$ 22,197

Net assets available for benefits at actuarial value (market value is \$20,883) 21,448

Unfunded Actuarial Accrued Liability (UAAL) \$ 749

The actuarial value of assets was determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2005 was 30 years.

Trend Information

YEAR ENDED JUNE 30,	PENSION COST (APC)	PERCENTAGE CONTRIBUTED	NET PENSION OBLIGATION
2006	\$ <u>13,260</u>	94.67%	\$ <u>749</u>

The required supplementary information (see table of contents) contained in the additional information is designed to provide information about the plan's progress in accumulating sufficient assets to pay benefits when due.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workmen's compensation benefits provided to employees. The Authority has purchased commercial insurance for general liability on buildings occupied, equipment damage and theft, employee theft, and limited tort claims.

In addition to carrying commercial insurance, the Authority participates in the Michigan Association of Ambulance Services (MAAS), Self-Insured Workers' Compensation Fund (the "Fund") for workers compensation. The Fund was established pursuant to the provisions of Act 45 of Michigan Public Acts of 1974. Premiums for coverage secured by the Authority are determined in accordance with rating guidelines, which provide funds sufficient to secure specific and aggregate reinsurance.

At June 30, 2006, there were no claims which exceeded insurance coverage, nor have any settled claims during the year exceeded insurance coverage. The Authority did not have any significant reduction in insurance coverage during the year.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2006

NOTE 7: CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, Authority management does not believe such disallowances, if any, will be material to the financial position of the Authority.

REQUIRED SUPPLEMENTAL INFORMATION

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Taxes	\$ 306,000	\$ 306,000	\$ 328,797
Charges for services	867,000	977,000	1,045,739
Donations	9,000	9,000	12,386
Interest	700	700	1,902
In-kind occupancy			18,600
Other	6,000	6,000	5,668
TOTAL REVENUES	<u>\$ 1,188,700</u>	<u>\$ 1,298,700</u>	<u>\$ 1,413,092</u>
EXPENDITURES			
Salaries and wages	\$ 650,791	\$ 650,791	\$ 659,284
Employee benefits	262,587	253,087	225,439
Office supplies	10,500	8,500	6,808
Medical supplies	16,000	16,000	14,200
Operating supplies	7,000	7,000	5,993
Fuel	24,000	33,000	28,745
Equipment rental	1,000	1,000	
Uniforms	7,500	7,500	6,131
Utilities	13,500	13,500	11,124
Professional services	26,000	24,000	21,553
Advertising	5,400	4,650	3,148
Repair and maintenance	28,000	34,000	27,947
Insurance	28,000	28,000	26,423
Licenses and permits	500	750	607
Dues and memberships	3,000	2,000	1,616
Education and training	8,000	8,000	4,247
Bad debt expense	2,500	112,500	141,231
In-kind occupancy			18,600
Capital outlay	45,000	45,000	36,558
TOTAL EXPENDITURES	<u>\$ 1,139,278</u>	<u>\$ 1,249,278</u>	<u>\$ 1,239,654</u>
REVENUES OVER EXPENDITURES	<u>\$ 49,422</u>	<u>\$ 49,422</u>	<u>\$ 173,438</u>
OTHER FINANCING (USES)			
Payments on long-term debt	<u>\$ (12,200)</u>	<u>\$ (12,200)</u>	<u>\$ (11,137)</u>
NET CHANGE IN FUND BALANCE	\$ 37,222	\$ 37,222	\$ 162,301
FUND BALANCE - BEGINNING	<u>336,176</u>	<u>336,176</u>	<u>336,176</u>
FUND BALANCE - ENDING	<u>\$ 373,398</u>	<u>\$ 373,398</u>	<u>\$ 498,477</u>

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2006

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	(a) ACTUARIAL VALUE OF ASSETS	(b) ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	(b-a) UNFUNDED AAL (UAAL)	FUNDED RATIO TOTAL	(c) COVERED PAYROLL	((b-a)/c) UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/05	\$21,448	\$22,197	\$749	97%	\$402,450	.2%

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability (AAL) and unfunded "AAL" in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the "AAL" provides one indication of the retirement system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded "AAL" and annual covered payroll are both affected by inflation. Expressing the unfunded "AAL" as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the retirement system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

GAO GOVERNMENT AUDITING STANDARDS REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Authority Board
Marshall Area Fire Fighters Ambulance Authority
Marshall, Michigan

We have audited the financial statements of the governmental activity and major fund of Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We did, however, note certain matters that we reported to management of Marshall Area Fire Fighters Ambulance Authority in a separate letter dated August 3, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall Area Fire Fighters Ambulance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Authority Board, management, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

Osbourne, March, Condon & Co P.C.

Certified Public Accountants

Hillsdale, Michigan
August 3, 2006



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

August 3, 2006

Marshall Area Fire Fighters Ambulance Authority
323 West Michigan Ave.
Marshall, Michigan 49068

In planning and performing our audit of the financial statements of Marshall Area Fire Fighters Ambulance Authority for the year ended June 30, 2006, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 3, 2006, on the financial statements of Marshall Area Fire Fighters Ambulance Authority.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Authority's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Osbourne, March, Condon & Co P.C.

Certified Public Accountants

MEMORANDUM

FISCAL POLICIES

We want to commend the Authority for implementing the recommended fiscal policies addressed in prior years audit comments and recommendations. During the past couple of years the Authority has worked diligently towards drafting and compiling fiscal policies to strengthen internal controls.

Now that policies and procedures have been adopted and put in place we encourage the Authority to annually review its internal processes and procedures to identify potential risks of misstatement of financial information or misappropriation of assets that could occur from (1) changes in operations (2) fraud, or (3) errors. Identified risks should be mitigated by modifying existing controls or developing new controls; i.e., policy and procedures.

YEAR END FINANCIAL CLOSE

Prior to our audit Mark Burke, Director, disclosed to us that he implemented various month and year end closing procedures in response to our prior year audit comment and reportable condition disclosure relating to the absence of such procedures. Mark further disclosed that he met with the bookkeeping service organization to discuss the importance of applying these required accounting procedures and to communicate each of their responsibilities in carrying out the procedures. However, Mark further disclosed to us that he identified errors in the accounts receivable and billings adjustments provided him through out the year by the bookkeeping service organization.

During our audit fieldwork we examined the monthly adjustments proposed by the bookkeeping service organization and discovered that the adjustments were not correct; i.e., the account receivable and billing revenue accounts did not agree with reports generated from the billing system. The bookkeeping service organization appeared to have made a year end entry in an attempt to correct all of its prior monthly errors. However, the year end receivable and billing revenue accounts remained out of balance.

In response to our findings we worked with Mark in recalculating the correct year end balances of those two accounts from the monthly billing reports generated from the billing system. An adjustment in the amount of \$5,034.53, approved by Mark, was made to increase receivables and billing revenue. The misstatement is *not* the result of a material weakness in the Authorities internal control and accounting system. We base this on the fact that Mark had been reconciling the accounts through out the year which was a key detection control in identifying the year end misstatement.

Due to the errors that continue with the bookkeeping service organization we recommend that the Authority maintain all bookkeeping processes internally in light of the fact that there appears to be good internal controls, processes and procedures, and furthermore, based on the improved skills that Mark has attained.